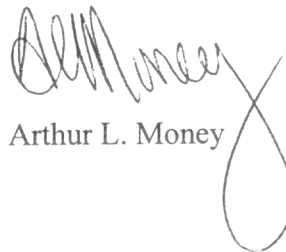January 18, 2000

**COMMAND, CONTROL,
COMMUNICATIONS, AND
INTELLIGENCE**

MEMORANDUM FOR ADMINISTRATOR, OFFICE OF FEDERAL PROCUREMENT POLICY

SUBJECT: Department of Defense Electronic Commerce (EC) Progress Report on Federal
Purchasing and Payment for Fiscal Year 1999

This memorandum forwards the attached Department of Defense (DoD) report on
Purchasing and Payment for FY 1999, as requested in your memorandum of November 10, 1999.
The report follows the guidelines provided in the jointly released memorandum of November 15,
1999, from the EC Committee Chairpersons for the Procurement Executive Council (PEC) and
the Chief Financial Officers Council and the PEC Liaison to the Chief Information Officer's
Council. This report describes the DoD progress made in FY 1999 on plans to implement the
government-wide strategic plan (*Electronic Commerce for Buyers and Sellers*) and specifically
addresses activities undertaken to further each building block identified in that plan.
Mr. Paul Grant is my point of contact for this matter. He may be reached on
(703) 604-1577 or by e-mail: paul.grant@osd.pentagon.mil.

Arthur L. Money

Attachment
As stated

DoD Report on Purchasing and Payment

Table of Contents

Introduction

This report is the Department of Defense (DoD) Annual Report on Purchasing and Payment for Fiscal Year 1999. Section 30 of the Office of Federal Procurement Policy (OFPP) Act requires that the OFPP Administrator submit to the Congress an annual report on the implementation of Electronic Commerce (EC) by Federal Agencies. This DoD Report supports that requirement.

This DoD report describes the progress made in FY 1999 on the Purchasing and Payment Plan submitted to the Congress in the Spring of 1999pursuant to OMB Memorandum 99-02, to implement the government-wide strategic plan, *Electronic Commerce for Buyers and Sellers*. This progress report addresses activities undertaken in furtherance of each of the building blocks identified in the government-wide strategic plan. This report is structured with a section devoted to each building block. These sections are (1) change management, (2) electronic catalogs, (3) electronic payments, (4) identification and authentication, (5) contract formation and administration, (6) contract writing systems, and (7) federal systems interfaces. This year, the OMB is using the phrase "building block-specific implementation plan" to refer to Agencies' Spring 1999 submission. To ensure consistency with the OMB's tasking and the submission of other Federal Agencies, the DoD FY 1998 Purchasing and Payment Plan is referred to herein as the building block-specific implementation plan."

The specifics in each section of this progress report follow the "EC Progress Questions" suggested jointly by the EC Committee Chairpersons for the Procurement Executive Council (PEC) and the Chief Financial Officers (CFO) Council along with the PEC Liaison to the Chief Information Officer's Council. These questions assure that the reports address key details such as uniformity of implementation, consideration of use of existing EC and electronic data interchange systems, and an assessment as to whether or not the Department is on track with regard to EC implementation in each building block.

I.   Building Block: Change Management

A.   Issuance of Guidance

Fiscal Year (FY) 1999 was an extremely productive year for the DoD Electronic –
Business/Electronic Commerce (EB/EC) Program. Two key documents were issued during the
year and three additional documents are in development for issuance in early FY 2000.

In FY 1999, the Department released a Guidance and Policy Memorandum (G&PM) covering
DoD Electronic Business/Electronic Commerce and an Electronic Business/Electronic
Commerce Strategic Plan. The DoD Chief Information Officer (i.e., the Assistant Secretary of
Defense (Command, Control, Communications, and Intelligence) (ASD (C3I)) released the
G&PM in March 1999 (http://www.c3i.osd.mil/org/cio/doc/gpm2-8190.pdf) to provide
implementation direction for the Joint DoD EB/EC program. This G&PM identified the actions
to support, facilitate, and accelerate the application of EB practices. To provide strategic
planning support to this policy, the CIO issued the DoD Electronic Business/Electronic
Commerce Strategic Plan in May 1999, (http://www.c3i.osd.mil/org/cio/doc/EBECmemo.pdf
and http://www.c3i.osd.mil/org/cio/doc/ EBECStratPlan.doc). This cornerstone document is the
DoD plan to track the planning horizons of *Joint Vision 2010*, the seminal DoD operational
planning document, as well as comply with statutory requirements such as the Government
Performance and Results Act and the Clinger-Cohen Act while supporting the national precepts
of *Access America* and the President's Management Council. The DoD plan includes both the
FY 1998 Purchasing and Payment Report submitted to OMB, as well as the current EB Plans for
the Military Services and several Defense Agencies and the Principal Staff Assistants in the
Office of the Secretary of Defense (OSD).

In FY 2000, the Department expects to release a DoD EB/EC Directive, a formal policy directive
to replace the EB/EC G&PM. Additionally in FY 2000, the Department will release guidance
for the DoD Common Access Card, and a Joint Electronic Commerce Program Implementation
Plan.

Examples of FY 1999 reform initiatives involving the use of electronic commerce technologies
in the areas of buying and paying include:

- Department of Defense Reform Initiative Directive #32 - Paperless Contract Closeout
- Department of Defense Reform Initiative Directive #33 - Paperless DD Form 250, Material
  Inspection and Receiving Report
- Department of Defense Reform Initiative Directive #43 - Defense-wide Electronic
  Commerce
- Department of Defense Reform Initiative Directive #44 - Paper-Free Program Objectives
  Memorandum Submission
- Department of Defense Reform Initiative Directive #46 - Paperless Contracting
- Department of Defense Reform Initiative Directive #47 - End-to-End Procurement Process
- Department of Defense Reform Initiative Directive #48 - Adoption of Commercial EDI
  Standards for DoD Logistics Business Transactions

B.   Inter-agency Management Structures

1.   Inter-agency support for DoD missions

Interagency support for DoD missions are shown in Table 1.

Table 1: Interagency Activity

	Purpose for Participation	Accomplished Initiatives	Future Priorities
a.	Interagency Acquisition Internet Council http://www.arnet.gov/iaic	Included DoD business opportunities initiative (http://dodbusopps.com) in the Federal Electronic Posting Systems (EPS) program.	Initiate consideration of pilot program to extend DoD Central Contractor Registration (CCR) (http://www.ccr2000.com) to other federal agencies.
	To remain abreast of other EB/EC initiatives in the Federal Government for possible synergistic effects on DoD EB/EC efforts.		
b.	PKI Steering Committee	The GITS Board and FPKISC accomplishments include publication of "Access with Trust" and various PKI Policy agreements. Business Case Analysis funded by DoD/NSA to focus on cross certification.	Increase DoD's participation in interagency efforts to identify and resolve federal PKI technical and business issues and recommend solutions to policy and interoperability issues. As appropriate, the Department works with other organizations interested in PKI activities in support of the Steering Committee's purpose and mission.
	The Federal PKI Steering Committee (FPKISC) will provide guidance to federal agencies, executive agents, and the GITS Board regarding the establishment of a federal PKI and the associated services (e.g., certificate management, key recovery, etc.). Since DoD is a significant stakeholder in implementing PKI solutions, it has a significant role to play in establishing the federal level guidance.		

c. Federal Electronic Commerce (EC) Coordinators	Created by the Federal Electronic Commerce Program Office (FECPO) to prepare for the opportunities ahead in electronic business and electronic commerce. Through this body, DoD works with other government procurement, financial and technology officials to focus on activity that makes our government work better and cost less through the application of enabling information technology.	The Federal EC Coordinators helped the Agencies advance electronic commerce initiatives in government in Fiscal Year 1999. The Department was a major contributor to the December 15, 1998, Workshop on Developing Agency EC Reports on Federal Purchasing and Payment. DoD provided panel chairpersons and contributed substantive content to workshop panels.	Advocate the scope of Federal EC Coordinators role be expanded to focus not only on continued improvement of the purchasing and payment processes, through the application of enabling information technology (IT) but also on improving agency business processes using enabling IT.

	Purpose for Participation	Accomplished Initiatives	Future Priorities
d. Federal EDI Standards Management Coordinating Committee	This group establishes and coordinates government standards for electronic data interchange (EDI) transactions under the American National Standards Institute (ANSI). The Defense Finance and Accounting Service (DFAS) serves as the Department's representative for this group.	Coordination of federal adoption and changes to National and International EDI standards.	In the future, it is anticipated that this group will be pivotal in transitioning from ANSI X12 EDI transaction set standards to the United Nations Electronic Data Interchange For Administration, Commerce and Transport (UNEDIFACT).
e. EFT Policy Working Group	The DFAS represents the Department of Defense on this government-wide policy working group.	Participation in development of government-wide EFT rules and regulations.	The Department's perspective is to ensure that policy developed and recommended by the group compliments existing DoD policy and that the Department's operations are considered in the formulation of policy proposals.

	Purpose for Participation	Accomplished Initiatives	Future Priorities
f. Smart Card Project Management Group	Share program solutions. Facilitate government-wide knowledge exchange regarding innovative and successful Smart Card efforts.	Exchanged information about use of the Smart Card as the Common Access Card/Common ID Card. Reported DoD progress and gained information about progress government wide. Exchanged knowledge and	As DoD develops its own smart card policy, initiatives, management and oversight structures, it will continue to share its solutions with other federal agencies through this body. DoD will facilitate government-wide knowledge exchange about innovative

Purpose for Participation	Accomplished Initiatives	Future Priorities
	information to effect government-wide policy regarding Smart Card interoperability and to effect development of large government-wide acquisition vehicles such as the Smart Common Identification and Access Card acquisition.	and successful efforts; facilitate evolution of common standards; keep abreast of other's successes, promote cross cutting initiatives and other initiatives that have benefit for government-wide application (such as continued participation in the GSA/DoD Smart Card Technology Center).

| g. Federal EC Program Office http://ec.fed.gov/ | Provide Co-Chair with staff support | Promoted a strategy of EC pilots and demonstration projects to show the benefits to the U.S. Government if it carries out its day-to-day business electronically through the exploitation of information technology (IT). Initiatives with large potential government-wide payoff are: Electronic Catalogs Interoperability Pilot Project Electronic Grants (Federal Commons) Conceptual Roll-Out Central Contractor Registration Pilot Project Electronic Posting System. Access America (Electronic Government) Smart Card Initiatives Access Certificates for Electronic Services Electronic Commerce Resource Centers | Continue to provide leadership to all aspects of the Federal EC Program as required. Share program solutions. Facilitate government-wide knowledge exchange regarding innovative and successful efforts, e.g. best practices. Facilitate evolution of common standards; provide continual coordination and support to actively participating Departments/ Agencies, e.g., Federal EC Coordinator Group and related management processes. Keep abreast of and continually foster Change Management throughout the federal government using EB/EC. Monitor and facilitate the exchange of knowledge regarding the development and proper use of Federal Public Key Infrastructure. Monitor and facilitate knowledge exchange regarding developments Inter-Agency Electronic Grants Committee. Promote cross cutting initiatives: e.g. Catalogs' Interoperability. |

h. Other: (1) Chief Financial Officers Council's Financial Implementation Team for Electronic Commerce (FITEC)	The FITEC is an interagency group that addresses EC issues affecting agency financial operations. As such, the FITEC is a forum where the Department can identify inter- and intra-agency issues, as well as collaboratively identify government-wide solutions.	During the past year, the FITEC has hosted "best practices" forums, addressed purchase card implementation and integration issues and the development of standards.	FITEC most likely will apply its resources to address enterprise-wide integration issues that would allow agencies to seamlessly conduct financial commerce within and across the federal government.
i. Other: (2) Procurement Executive Council (PEC) EC Committee	Promotes effective use of EC to enhance federal procurement community's ability to support mission accomplishment.	Planned EC Trade-Fair, which was held first quarter fiscal year 2000. Developed draft guideline to assess federal agencies' progress for implementing EC government-wide. Draft (federal-level) PEC EC Strategic Plan	Publish EC Strategic Plan Further refine assessment guide.

C.   Internal Management

1. Coordination

Section 30(c)(1) of the Office of Federal Procurement Policy Act requires that "…systems, technologies, procedures, and processes to be implemented with uniformity throughout the agency, to the maximum extent possible." The Department's compliance with this statute is validated through examination of its corporate-wide policies and directives. Examples include the Defense Reform Initiative and the various implementing memoranda. These policy documents encourage the identification and implementation of cross-functional EC solutions in the areas of buying and paying across traditionally "stove-piped" organizational lines.

In FY 1999, the Department initiated and matured a number of processes to facilitate and encourage uniformity of implementation of Electronic Business initiatives among the DoD Components. These cross-functional efforts can be found at various levels within the Department and not only involve procurement, finance, and information technology organizations, but also include all other functional areas that conduct electronic business, such as the health, personnel, and intelligence communities. Among these cross-functional groups, initiatives, and processes are:

a.   Defense Management Council

The Deputy Secretary of Defense meets regularly with his senior managers, including the Defense Acquisition Executive, Chief Financial Officer, and Chief Information Officer (CIO) to address pressing issues. Among the topics may be electronic business issues involving purchasing and procurement that have not been resolved at a lower level.

b.   CIO Executive Board

This Board, chaired by the DoD CIO, assists in providing senior management oversight of department-wide CIO issues. Principal among these is assuring that senior management attention is directed to the critical issues of functional process improvement and obtaining the appropriate degree of integration across DoD business functions and processes.

c.   Electronic Business (EB) Panel

Formation of the EB Panel was an initiative of the DoD Deputy CIO. The Panel is composed of approximately 50 SES-level members and alternates from across the Department, including acquisition, financial, and IT communities. The mission of the EB Panel is to assist the DoD CIO in establishing EB/EC strategic implementation focus and assessing the progress made to evolve DoD's business processes to electronic means. In addition, the EB Panel will support the CIO, as well as the other Principal Staff Assistants (PSAs) in the Office of the Secretary of Defense (OSD), and the DoD Components in developing, promoting and implementing the EB/EC plans, policies and initiatives of the Department.

d.   Electronic Business (EB) Working Group

The EB Working Group was established in FY 1998 and continues today as a voice from the senior, but not predominately SES-level, members from across the DoD, including acquisition, financial, and IT communities. Group members made significant contributions to the DoD EB/EC Strategic Plan and are addressing issues related to the draft Joint Electronic Commerce Program (JECP) Implementation Plan and the draft EB/EC Program directive.

2. Prioritization of Initiatives

The top three EC initiatives among the DoD's buying, paying, and information technology communities are:

- Standard Procurement System (SPS)
- Electronic Document Access (EDA)
- Vendor Electronic Funds Transfer/Central Contractor Registration (EFT/CCR)

The Department believes that these initiatives facilitate the conduct of EB cross-functionally throughout the Department.

These three initiatives are key to defining the way we conduct EC within the Department.

3.   Use of Existing and Non-commercial Systems

The Department's Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) Architecture Framework promotes enterprise integration by connecting disparate systems (those EC-enabled as well as legacy systems) into an integrated electronic commerce infrastructure that seamlessly matches capabilities across stove-pipe functional business systems. This framework allows the Department to apply due consideration with regard to the use or partial use, as appropriate, of existing EC systems and infrastructures.

4.   Cost and Performance Metrics

The DFAS has identified several meaningful cost measures and collects data on those measures as they relate to business operations. These measures are used to develop unit cost rates that the DFAS uses to bill its DoD customers.

Additionally, the Department now requires the development of comprehensive business case analyses (that identify valid measures and provide a return on investment) prior to the identification and implementation of new or improved technological solutions within the Department. This business case analysis requirement applies to the life cycle management of EC related initiatives.

The Department has identified six performance measures (metrics) to document DoD Component progress in achieving the January 1, 2000, paperless contracting goal. These metrics represent each phase in the life cycle of the contracting process. The metrics are:

  a.   Contract Requirements

Metric Definition: The number of electronic requests as a percent of total requests. Reporting for this category includes:

- Purchase Requests/Requirement Packages (PRs/RPs)
- Funding Documents (FDs)

  b.   Solicitations

Metric Definition: The number of solicitations made available to industry electronically as a percent of total solicitations. Electronic options include, but are not limited to:

- Bulletin Board posting
- WEB posting
- Electronic Data Interchange (EDI) 840 transactions

These include:

- Requests for Proposal (RFPs)
- Requests for Quotation (RFQs)
- Invitations for Bids (IFBs)

  c.   Awards/Modifications

Metric Definition: The number of contract awards and modifications distributed electronically as a percent of total awards and modifications. The following six functional organization types require that receipt of awards/modifications are tracked:

- Procurement Contracting Offices (PCOs)
- Defense Contract Management Command/Administrative Contracting Officers/Defense Contract Audit Agency (DCMC/ACOs/DCAA)
- Defense Finance and Accounting Service (DFAS) Payment Offices
- DFAS Accounting Offices
- Program Managers/Requiring Activities (PMs/RAs)
- Contractors

  d.   Receipts & Acceptance

Metric Definition: The number of electronic receipts and acceptances as a percent of total receipts and acceptances. Reporting for this category includes:

- Percent of receipts and acceptances from vendors
- Percent of receipts and acceptances sent to DFAS

  e.   Invoices/Payment

Metric Definition: The number of invoices and payments for both delegated and non-delegated contracts. This includes:

- The number of invoices received electronically as a percent of total invoices received.

- The number of payments disbursed as a percent of total payments processed.

    f.   Contract Closeout

Metric Definition: The number of contracts electronically closed, to include:

- DFAS. Percent of the following documents sent electronically:

    a.   Notification of final shipment (source)

    b.   Notification of final shipment (destination)

    c.   Certified cost vouchers (DCMC)

    d.   Contract completion statement

- DCMC. Percent of the following documents sent electronically:

    a.   Notification of final shipment (contractor)

    b.   Notification of final shipment (DCMC)

    c.   Final cost vouchers (contractor)

    d.   Final cost vouchers (DCMC)

    e.   Contract completion statement

- DCAA. Percent of the following documents sent electronically:

    a.   Forward pricing audits

    b.   Progress payment audits

    c.   Incurred costs/system reviews

    5.   Managing change

The Department has established a number of steps to manage the transition from paper-based to electronic buying and paying processes. In the area of governance, in addition to the Clinger-Cohen Act requirements and the directives mentioned in paragraph A of this Building Block, the Department has established a number of organizations and process teams to assist in creating the Revolution in Business Affairs (RBA) through change management. Among these organizations are: the Defense Reform Office (http://www.defenselink.mil/dodreform), the Joint Electronic Commerce Project Office (http://www.acq.osd.mil/ec), the Paperless Contracting Working Integrated Program Team (http://www.acq.osd.mil/pcipt/). The Department also participates in

an organization established by industry to discuss how industry and the DoD Components can move into the electronic world. That organization is the Electronic Commerce Coalition Working Group (http://www.eccwg.org).

From an enterprise integration perspective, the Department is managing its Electronic Data Access/Electronic Data Management/Electronic Data Interchange (EDA/EDM/EDI) and Paperless Contracting initiatives under the broad umbrella of Workload Management. The Department believes that this approach will assist in coping effectively with the transition from paper-based buying and paying practices to electronic processes.

D.   Outreach

The Department manages two very large outreach programs. They are the Procurement Technical Assistance Program (PTAP) and the Electronic Commerce Resource Centers (ECRCs).

The Defense Logistics Agency administers on behalf of the Secretary of Defense, the DoD PTA Cooperative Agreement Program under which the Procurement Technical Assistance Centers (PTACs) provide assistance to business firms that want to sell goods and/or services to Federal, state and local governments. The PTAC exists to increase contracting activity between small businesses, contractors and government. PTAC is a not-for-profit organization funded by the Defense Logistics Agency. The websites are http://www.dla.mil/ddas and http://www.gmu.edu/gmu/PTAP. The PTAC's mission is to:

- Generate employment and improve the general economy of a locality by assisting business firms in obtaining and performing under contracts issued by the Department, other federal agencies, and state and local government;
- Expand the industrial base of the Department and other federal agencies; to provide a link between the federal government, major prime contractors, and small businesses;
- Provide technical assistance to small businesses interested in federal, state and local government contracting;
- Apply resources to improve the business climate and economic development in local communities.

PTAP offers marketing, technical consulting and educational services to businesses in the Northern Virginia and Washington, D.C. metropolitan area.

The ECRCs (http://www.ecrc.ctc.com/) comprise a network of 17 regional offices that serves as a catalyst for small- and medium-sized enterprises to adopt electronic commerce. The goal is to enable these enterprises to use advanced electronic commerce technologies to provide the Department and the other federal organizations with low-cost, high-quality products, goods, and services. The ECRC Program is sponsored by the Department's Joint Electronic Commerce Program Office (JECPO) and operated through prime contracts with Concurrent Technologies Corporation (CTC) and CAMP, Inc.

During FY 1999, the Department also used the SBA's Pro-Net and the CCR as tools to reach the small business community. Also in FY 1999, several DoD activities assisted small businesses in

transitioning to an electronic environment by sending speakers to conferences and seminars, working with professional associations, publishing articles, and conducting marketing efforts.

E.   Service Provider Change Management

Nothing to report.

F.   Additional Efforts

Three OSD offices that are involved extensively in DoD change management are the Defense Reform Office, Office of the Deputy Under Secretary of Defense (Acquisition Reform), and the Office of the DoD CIO. These offices work closely with the OSD functional process owners to advance process change. Recently, the DoD CIO sponsored an offsite meeting of CIOs during which a significant portion of the time was spent identifying the role of the DoD Component CIOs in EC. Topics included: better defining the role of the CIOs in EB; the role of the DoD CIO in supporting the EB process through the planning, programming, and budgeting process; and the identification of obstacles to progress along with recommendations for resolving them. The recommendations from this session were internal to the Department, but advanced the change management effort.

G.   Agency Overall Evaluation of Progress: Change Management

1.   Overall progress toward achieving expectations in implementation plan.

Beginning with the Secretary, the entire Department is committed fully to the use of change management in support of EB initiatives. The Secretary's support extends beyond purchasing and payment initiatives to all aspects of EB. The Department remains on track toward achieving expectations in implementing our plans under this building block.

2.   Barriers

Although use of the CCR has been mandated by the Department, not all of its trading partners currently are using the system. Specifically, there has been some reluctance by small to medium-sized contractors. This reluctance has negatively affected the overall EFT conversion ratios--and is being addressed cooperatively by the Office of the Director for Defense Procurement and the JECPO. In the future, contracts that do not stipulate vendor use of CCR and electronic funds transfer will be returned by the DFAS to the issuing contracting offices for amendment prior to contract execution and payments.

The Defense Federal Acquisition Regulation Supplement prohibits the award of a DoD contract, basic ordering agreement, or blanket purchase agreement to an offeror that is not registered in the CCR and requires DoD contracting officers to verify an offeror's registration prior to placing an order under a non-DoD contract or agreement.

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3.   Significant modifications to implementation plan.

It has not been necessary to make any radical departures from last year's implementation plan under this building block. As noted in Section A of this building block, new goals have been added, such as the common access card initiative, as our program matures.

II.   Building Block: Electronic Catalogs

A.   Use of Existing Federal Catalogs

1.   Guidance on Usage

The DoD E-Mall, operated by the Joint Electronic Commerce Program Office (JECPO), is an indispensable component of the Department's acquisition reform and electronic commerce strategy. The DoD E-Mall shifts the acquisition paradigm for commercially available items from repetitive small purchases to long-term contractual arrangements. These long-term contracts authorize the government purchase card (GPC) customer to place electronic delivery orders directly against the contracts. This strategy leverages the Department's buying power through volume buying discounts and streamlines the procurement process by eliminating transactions and paperwork. In addition, it reduces transaction costs by eliminating the conventional, labor-intensive process of identifying sources of supply through vendor brochures, paper catalogs, phone book searches, or sequential Internet catalog searches. The DoD E-Mall also provides detailed visibility into GPC purchases. This visibility allows accumulation of DoD-wide demand data for improved warfighter logistics support during contingencies and better peacetime procurement planning. On April 9, 1999, the Director of Defense Procurement issued a memorandum entitled "DoD Electronic Mall (E-Mall)." The purpose of that document was to make the Senior Acquisition Executives of the DoD Components aware of the E-Mall capability to provide a window of visibility to all commercially available supplies and services under contract within the Department.

While the DoD E-Mall can be used (and likely is) for market research by agency users, there is no formal requirement for them to consider this tool before making an open market purchase. Guidance is currently being staffed for senior DoD leaders that would mandate theconsideration of the E-mall first when using the GPC.

The DoD's concept of operations for the E-Mall is a distributed system. It allows industry vendors or DoD Component catalogs to provide and maintain their own catalog data, pricing, quantities on hand, delivery days, and relevant technical data on their own servers. The DoD E-Mall architecture makes it easy to create an electronic mall that supports a large number of products from multiple vendors and DoD Component catalogs. Additionally, it eliminates the need for the government to replicate data already maintained by the vendor as a part of their normal commercial business practice or DoD Component catalog. The DoD E-Mall customer sees the catalog product information as if it were coming from a single, unified source. In reality, the product information is controlled entirely by the catalog owners' databases main-tained by the vendor or the DoD Component. The use of the distributed architecture is what makes the DoD E-Mall unique among other federal catalogs, including GSA Advantage. The E-Mall strategic focus is to access data from wherever it resides for a single view, search, and order capability for the benefit of the end customer who does not then have to drill into separate catalogs to compare pricing, delivery and product information. Currently, the JECPO is working with GSA to provide visibility of GSA Advantage items within the DoD E-Mall.

The GPC customer of the DoD E-Mall is able to place delivery orders against established contract vehicles that are the underpinnings of the items on the E-Mall order. When authorized personnel use the DoD E-Mall, they use their GPC to place an order against an established contract and thus place an electronic delivery order. The Defense Logistics Agency (DLA) and other DoD activities already have established stock quantities or ordering vehicles for vendor-direct-ship materials. All procurement requirements, including competition, mandatory sources, source restrictions such as the Buy American Act and Trade Agreements Act, and all other socioeconomic requirements have been met prior to the ordering vehicles being placed on the E-Mall. The E-Mall can accommodate GPC orders up to $100,000, but all orders are subject to the GPC limits that the issuing activity sets on its cardholders. In addition to office limits, GPCs typically have dollar restrictions per transaction and per billing cycle. There may also be merchant category restrictions placed on GPCs. Before an E-Mall order is processed, the E-Mall checks such limits using commercial credit card validation processes.

2.   Level of Federal electronic catalog usage

See Table 2 for details. All of the orders via the DoD E-Mall were delivery orders against established contracts and 99 percent of these orders were $2500 or less. Currently, only products, not services, are available on the DoD E-Mall. Ordering of services is an enhancement expected to be piloted in FY 2000.

Table 2: Federal Electronic Catalog Usage

	General Level of Use		
	Some Buys	**Most Buys**	**Almost all Buys**
Market Research	Market research usage is unknown, however, use of the e-mall without immediately associated purchase implies that there is product research being used.		
Ordering			
Products < $2,500			✓
Products $2,500-$25,000	✓		
Products > $25,000	✓		
Services < $2,500	None	None	None
Services $2,500-$25,000	None	None	None
Services > $25,000	None	None	None
Payment			

	General Level of Use		
	Some Buys	**Most Buys**	**Almost all Buys**
Products < $2,500			✓
Products $2,500-$25,000	✓		
Products > $25,000	✓		
Services < $2,500	None	None	None
Services $2,500-$25,000	None	None	None
Services > $25,000	None	None	None

3.   Usage trend

The DoD E-Mall experienced a growth in purchase activity from FY 1998 to FY 1999, which met DoD's expectations.

4. DoD E-Mall experienced a growth in purchase activity from FY 98 to FY 99. Utility of catalog purchasing for particular types of products and services

Table 3 provides the requested utility of Federal Electronic Catalog information.

Table 3: Utility of Federal Electronic Catalogs

	Market Research	**Ordering**	**Payment**
IT Products	H	H	H
IT Services	N/A	N/A	N/A
Office Products	H	H	H
Maintenance and Repair	H	H	H
Professional, Administrative & Management Support Services	N/A	N/A	N/A
Training Services	Training services' pilot projected for FY00 on the DoD E-Mall for market research and ordering		

Utilities & Housekeeping Services	N/A	N/A	N/A
Transportation and Travel	N/A	N/A	N/A

H - Highly Effective   N/A - Not Available

5.   Use of federal electronic catalogs versus commercial electronic catalogs

The Department does not maintain the kind of information necessary to respond to this question.

6.   GSA Advantage! & DoD E-Mall

The DoD E-Mall is unique in that it provides visibility of all agency catalogs; the federal customer does not separately need to drill into each agency catalog to compare prices, delivery, and product information for items in each catalog. This consolidated view of all catalog information is a benefit that the federal customer can not obtain anywhere else. The federal customer can comparison shop for the items that best meet his/her criterion for best value in price, delivery, and service comparison shopping. By having all available vendors/catalogs on the DoD E-Mall, a competitive marketplace exists and the commercial market forces in existence when on line comparisons are made can be brought to bear for the benefit of the federal customer.

The DoD E-Mall distributed architecture also provides unique benefits to the vendors not available in other federal catalogs. The DoD E-Mall search software allows vendors to maintain their own business data which is then accessed by the E-Mall. Use of the DoD E-Mall distributed architecture by all federal agencies would eliminate the need for vendors to individually feed multiple federal electronic catalogs. The search software is free for federal government use as a result of a DLA research and development contract stipulation. All federal catalogs could use this same search software and eliminate the need for vendors to populate multiple government catalogs.

7.   Areas for improvement

Changes to the DoD Emall are controlled by a configuration control board, as issues come up, or changes are necessary they can be made.

B.   Operation of Catalogs

1.   Creation/termination

During FY 1999, the DoD E-Mall has added electronic catalogs to offer customers additional product selection and choices when purchasing.

2.   Level of usage

The DoD E-Mall experienced a growth in purchase activity from FY 1998 to FY 1999.

3.   Level of inter-agency activity

Customers from within the Department were the primary customers of the DoD E-Mall.

4.   Catalog capabilities

Table 4 provides the requested information concerning catalog capabilities.

Table 4: Catalog Capabilities for Actions up to $25,000

	Estimated Level of Availability for Catalog Actions Available for:			
Capability	All Actions	More than ½	Less than ½	Not Avail
Buyer access through the Internet in conformance with the Open Buying on the Internet (OBI) and/or Extensible Markup Language (XML) standards	DoD E-Mall is XML capable; currently no vendor catalogs use XML standards.			
Buyer payment by credit card through the catalog electronic infrastructure	DoD E-Mall can provide for payment by purchase card or MILSTRIP fund cite. Currently all 19 vendors accept payment by both except one who only accepts payment by purchase card.			
Electronic billing	DoD E-Mall can provide for payment by purchase card or MILSTRIP fund cite. Currently all 19 vendors accept payment by both except one who only accepts payment by purchase card.			

5.   Planned enhancements

The DoD E-Mall is working with the DoD Purchase Card Program Management Office to provide an electronic interface between the DoD E-Mall and the automatic purchase card logs being developed by US Bank and Citibank. This will help to make the E-Mall the easiest place to use the GPC.

The DoD E-Mall plans to add the capability to order "on demand manufacture" parts during FY 2000. This will allow DoD customers to order parts not normally available as finished goods in the commercial marketplace, but which are available upon request to manufacture.

The DoD E-Mall plans to add the capability to show regional catalogs and regional prices. This will enable the vendors to show specific prices to various regions of the country.

C.   Additional Efforts

None

D.   Agency Overall Evaluation of Progress: Electronic Catalogs

1.   Usage of catalogs

The usage of federal electronic catalogs in FY 1999 met the Department's expectations compared to FY 1999 general expectations for catalog usage.

2.   Overall Progress toward achieving expectations in implementation plan

The Department's overall progress in the pursuit of initiatives under this building block is on track when compared to our expectations established in our implementation plan.

3.   Barriers

A study conducted by Pricewaterhouse Coopers for the JECPO identified perceived barriers to using the DoD E-Mall. The study concluded that to increase usage of the DoD E-mall, system modifications were needed to: (a) enhance user friendliness and (b) provide required interfaces to DoD Component logistics support systems in order to capture essential purchasing information.

4.   Significant modifications to implementation plan

The Department envisions a number of modifications to the E-Mall implementation plan. They are:

- Addition of new "corridors" to the DoD E-Mall offering training and various services.
- Provide an electronic interface between the DoD E-Mall and the automatic purchase card logs being developed by US Bank and Citibank.
- Add the capability to order "on demand manufacture" parts.
- Add the capability to show regional catalogs and regional prices.

III. BUILDING BLOCK: ELECTRONIC PAYMENTS

A. General Usage

1. Innovations and challenges

The DFAS, in coordination with the Director of Defense Procurement, implemented the Debt Collection Act of 1996 by requiring those vendors contracting with the Department to register in the CCR and require Electronic Funds Transfer (EFT) payment unless exempted by law. The DFAS has been working to assure that adequate Advice of Payment (AOP) information is transmitted to payees. Most vendors do not subscribe to a Value Added Network service and object to the high cost charged by banks to provide AOP data received with EFT deposits. In response, the DFAS continues to provide hard copy AOPs to the vendors. In addition, that agency is developing automated alternatives to transmit this information, such as through the Internet.

2. EC payment applications of other agencies

Not applicable.

3. Integration

The Department has developed and continues to improve electronic interfaces between its procurement and financial management systems. These interfaces, however, have been stymied by technical difficulties and the expense of providing enhanced capabilities. As such, the Department, to a limited degree, has developed other mechanisms to bring data electronically into its financial management systems. It is anticipated that the use of EDI will be greatly expanded in the future to create a greater level of interoperability.

B. Additional Efforts

Nothing to report.

C. Agency Overall Evaluation of Progress: Electronic Payments

1. Overall progress towards achieving expectations in implementation plan

The Department is slightly "behind the target dates" with respect to achieving the expectations in its implementation plan. The established goal for payments made by EFT is 90 percent by January 1, 2000. The metric is 74 percent through end of November 1999 with a projection of 80 percent by January 1, 2000. Reasons for not achieving established goal were (a) the need to obtain DoD-specific legislation to realize fully the promise of the mandatory EFT provision of the Debt Collection Improvement Act and (b) two OSD exemptions: utility companies and transportation services vendors utilizing government bills of lading (GBLs).

2. Barriers

Although use of the CCR has been mandated by the Department, not all of its trading partners currently are using the system. Specifically, there appears to be some reluctance by small to medium-sized contractors. This reluctance has negatively affecting the overall EFT conversion ratios--and is being addressed cooperatively by the JECPO and the Office of the Director for Defense Procurement. The Defense Federal Acquisition Regulation Supplement prohibits the award of a DoD contract, basic ordering agreement, or blanket purchase agreement to an offeror that is not registered the CCR and requires DoD contracting officers to verify an offeror's registration prior to placing an order under a non-DoD contract or agreement.

3. Significant modifications to implementation plan

Not applicable.

IV.   BUILDING BLOCK: IDENTIFICATION AND AUTHENTICATION

A.   EC Security Initiatives

1.   General Efforts

The Department is taking major strides toward its goal of migrating paper-based military and business affairs to an electronic enterprise. A digital certificate-based Public Key Infrastructure (PKI) will provide the mechanisms required to secure and protect electronic business information. PKI supports the use of information assurance services needed to protect the transmission of electronic data by enabling the use of data cryptography and electronic digital signature. The information assurance services provided include:

- **Data Integrity:** Protect data from unauthorized modification
- **Data Confidentiality:** Protect data from unauthorized disclosure
- **User Identification and Authentication:** Verification that entities are who they claim to be
- **Access control:** Protect against unauthorized use
- **Non-Repudiation:** Assurance that the sender is provided with proof of delivery and that the recipient is provided with proof of the sender's identity so that neither can later deny having processed the data

The implementation of PKI will continue in other applications as a mechanism for protecting electronic data from unauthorized access or manipulation. Currently, two joint electronic commerce program (JECP) applications are using digital certificates:

- Electronic Data Access (EDA) as a means of user authentication and access control to contract and financial documents; and
- Wide Area Workflow Prototype as a means of user authentication and to digitally sign the receipt documents.

It is expected that PKI will be used in the DoD E-Mall, CCR, and DoD Business Opportunities.

Specific examples of PKI application include the following:

a.   Central Contractor Registration

The DoD CCR uses a variety of information tools to assure controlled access to data. The availability of a vendor's record is controlled by the issuance of a Trading Partner Identification Number (TPIN). The TPIN, in conjunction with the vendor's DUNS number, allows access to that unique record. The DFAS is the sole user of the financial EFT data. The EFT data is provided to DFAS in a secure environment. When the data is in the CCR, the security level of that processor is C2, as defined in and compliant with DoD Directive 5200.28.

b.   DFAS Pacific Demonstration

The DFAS Pacific demonstration at Ford Island, Oahu, and the common access card (CAC) will utilize PKI/X.509 certificates on smart cards to provide Intranet network access and authentication of users and site physical access. Defense Travel System

The Defense Travel System (DTS), which was still under development and not operational during 1999, is fully incorporating the new DoD PKI for all identification and authentication (I&A) for DTS users. The original government requirement was to provide services that incorporate digital signatures for those transactions that represent claims against the government as well as authorizations and approvals to obligate or expend DoD appropriations. The Department has extended the requirement for PKI to both government and contractors; thus, the digital signature will be used for I&A on every DTS session.

The DTS is using PKI-based I&A in two different roles. Eventually, every user must log onto the DTS for online activity using the digital signature instead of traditional user ID and password. Possession of a currently valid DoD PKI identity certificate, however, is not enough for DTS access. The individual user must also be listed in the DTS user list, with appropriate permission levels set and the associated digital signature linked to the user. Thus, the DTS has a very high assurance that only authorized users are engaged in DTS activity. DTS administrators can block user access by removing them from the DTS traveler database or, if appropriate, by having the DoD PKI structure revoke specific certificates. If a user's PKI certificate is revoked for any reason, not related to the DTS, his or her access to DTS will also be blocked. All DTS users fall under the same I&A processes, including government travelers, supervisors, administrators, and all participating commercial travel offices.

The second use of PKI digital signature in the DTS is to authenticate the signer of electronic transactions corresponding to traditional paper forms. The DTS requires full PKI digital signature on expense claims and on approvals to obligate or disburse money. These digital signatures replace physical signatures on paper forms. With the full integration of the DoD PKI, signers will be unable to repudiate their signatures unless they report that their digital signature key has been compromised and must be revoked.

Adding further security to all DTS activity, the Department has incorporated single-session encryption into the system. Every user session is encrypted between the desktop PC and the contractor's regional data center. This sometimes is called a virtual private network (or VPN). The DTS is providing the encryption software as part of the system configuration   Session key exchange is based on a server key and security protocol. Symmetric key encryption of the session is based on a separate technology. This process ensures the confidentiality and integrity of all transactions as they traverse the Department and external networks.

B.   Managing Seller Information

To further ensure the level of security for consumers and sellers, the Department collected vendor data in FY 1999 through the DoD CCR database. The CCR database was developed and is maintained in a partnership environment--the Defense Logistics Information Service (DLIS) is

responsible for the collection and validation of the vendor's registration; and the Defense Information Systems Agency (DISA) is responsible for the infrastructure and administration and maintenance of the database at the DISA Megacenter in Columbus, Ohio. Vendor data is collected for the CCR database prior to the award of a contract. The DISA provides a continuity of operation (COOP) function to ensure that all information in the CCR database is protected in a redundant fashion.

In FY 1999, a database for storing vendor information for future use was developed by the following agencies/organizations: DoD JECPO, DLIS, DISA, Director for Defense Procurement (DDP), DFAS, Dun & Bradstreet, MCI, PricewaterhouseCoopers, Electronic Data Systems, and Grumman Data Systems. The intended users of the database are contracting and financial officials who prospectively will be using this data.

The CCR was enhanced to comply with the Debt Collection Improvement Act of 1996 (31 U.S.C. 3332; 31 U.S.C. 77001). In accordance with the DFARS 204.7300, effective June 1, 1998, vendors have been required to register in the CCR to participate in DoD procurements. Procurement Officers are required to check the CCR prior to award to ensure the vendor is registered in the CCR. The DFAS Corporate EFT system utilizes the CCR financial data as a condition to issuing a payment via EFT. Buyers are able to download information from the CCR to eliminate re-keying of information.

DoD acquisition personnel measure or track contractor past performance information (PPI) using a network of systems developed by the DoD Components. These systems generally fall into two categories: (1) performance tracking systems, which use existing data to evaluate contractor performance and (2) performance appraisal systems, which allow users to write "report cards" on contract performance. The former include the Navy's PEDREP, or "Red/Yellow/Green," system and the DLA's Automated Best Value Model. The latter includes a DISA system, the Army's Past Performance Information Management System (PPIMS), the Navy's Contractor Performance Appraisal Reporting System (CPARS) and the Air Force's CPARS data maintained in a Lotus Notes database. The DoD Components have agreed on a framework for the collection and use of past performance information. Additional information on the Past Performance Automated Information System (PPAIS) may be found at http://www.acq.osd.mil/ec/download/pastperformance.htm. The automated PPI databases have the capability to accommodate large omnibus contract work and collect and store various inputs that results from having multiple technical representatives

C.   Additional Efforts

Nothing to report.

D.   Agency Overall Evaluation of Progress: Authentication and Identification

As compared to expectations established in the implementation plan, the overall progress in the pursuit of initiatives under this building block is on track. Only the DTS is behind target dates.

Although successfully tested, the prime contractor has not yet upgraded the system to use the Diffie-Helmann protocol. This will be done prior to final testing of the baseline system at Whiteman Air Force Base, MO.

There have been no major obstacles encountered in pursuit of initiatives under this building block. There have been no significant modifications of the major initiatives being pursued under this building block or the target dates for completion.

V.   BUILDING BLOCK: CONTRACT FORMATION AND ADMINISTRATION

A.   Access to Business Opportunities and Related Documentation

1.   Solicitations, awards, and related documentation

The Department uses the following systems and methods for electronic solicitations, notices of award, and related documentation:

- Electronic Posting System (EPS)
- CBD Net
- Electronic Document Access (EDA)/Joint Electronic Document Access (JEDA)
- Joint Engineering Data Management Information and Control System (JEDMICS)
- Joint Computer Aided Logistics System (JCALS)
- ASSIST/ASSIST.DOC (DLA system used by vendors/contractors)
- Army Single Face to Industry
- Aqualine
- Navy Electronic Commerce On-Line (NECO)
- Electronic Bid Sets
- Procurement Gateway
- ANSI X12 EDI transactions (FACNET)
- Paperless Ordering Placement System
- Prime Vendor Initiative
- Medical Automated Long Term Contracting

B.   Responses and Negotiations

1.   Receipt of proposals

The Department can receive bids and proposals over the Internet as e-mail attachments. These transactions range from $2,500 to "unlimited." While none of the applications listed above organize the responses for analysis, several of the applications transfer the information to othercontracting systems for analysis and evaluation purposes.

2.   Secure receipt of responses & negotiations

Most DoD activities can receive proposals in a secure manner using ASSIST, NECO, and other applications for procurements of any amount ($0 – unlimited).   Transmission of information is secured The simplified module uses an EDI back-end to import the information into our contracting systems for analysis.   The large dollar module imports the proposals into ASSIST on a self-contained Local Area Network in a physically secure facility for evaluation.

Additional Efforts

The Department is in the process of securing PKI digital certificates for its contracting workforce. This will give DoD Components the ability to utilize digital signature and encryption in its contracting process. For additional information on DoD initiatives in digital signature and encryption, please see Section IV, Identification and Authentication.

The Department has also initiated an E-Mall for Internet ordering from military sources and commercial vendor catalogues. For additional information of DoD E-Mall initiatives see Section II, Electronic Catalogs.

C.   Agency Overall Evaluation of Progress: Contract Formation and Administration

1.   Overall progress toward achieving expectations in implementation plan.

The Department is on track in all areas for this portion of the implementation plan.

2.   Barriers

Lack of a PKI for internal DoD users to access certain paperless contracting initiatives and digitally sign documents that may be electronically stored and distributed is a barrier to secure electronic commerce; as well as the cost of the current external certificate for industry contractors. This barrier will be resolved in FY 2001.

3.   Significant modifications to implementation plan

The scope of paperless contracting initiatives has been expanded to cover all aspects of DoD contracting as contained in DoD's To Be End-to-End Procurement Model. The Paperless Contracting goal has been redefined from 'paperfree' to 90 percent paperless by January 1, 2000, in six major contracting categories: requirements generation; solicitation; award/modification; receipts and acceptance; payment; and contract closeout.

VI.   BUILDING BLOCK: CONTRACT WRITING SYSTEMS

A.   General usage

1.   Use of contract writing systems

The Department uses the Standard Procurement System (SPS), which includes a derivative of the Procurement Desktop contract writing system developed commercially by American Management Systems, Inc.   The SPS has been deployed to elements of the DoD Components, and full deployment throughout the Department is planned by 2002. Additionally, Wide Area Workflow (WAWF) and Automated Business Support System (ABSS) also are in use within the Department for electronic processing of receipt, acceptance and invoice documents.

2.   Functions performed

The Department 's automated acquisition/contract writing system accomplishes the following functions:

Table 5: Contract Writing Systems Capabilities

Function	DoD Systems that Perform the Functions or Comment
a. Development and issuance of requisitions by the program office/ requiring activity to the buying office.	DoD has multiple systems that accomplish this function. Electronic interfaces to SPS are in place or are being developed.
b. Determination if funds are available for a contract.	DoD has multiple systems that accomplish this function. Electronic interfaces to SPS are in place or are being developed.
c. Preparation of synopses for direct transmission to CBD Net (or its successor).	SPS
d. Development of solicitations.	SPS
e. Automatic insertion of applicable provisions in solicitations necessary to comply with law and regulation.	SPS
f. Preparation and issuance of award documentation.	SPS

g.	Preparation of receiving reports for transmission to and review by paying offices.	DoD has multiple systems that accomplish this function. Electronic interfaces to SPS are in place or are being developed. _
h.	Generation of workload or process statistics.	SPS
i.	Collection of contract award data	SPS

3. Future opportunities for collection of contract information

In addition to the information that is collected for DD Form 350 reporting purposes, the DoD Components collect additional statistics related to the paperless contracting initiative and for other management purposes.

No information is currently collected manually.

4. Interfaces

The SPS can interface with all of the following:

- Invoice review and payment control points
- Receipt and acceptance control points
- The DoD system that provides data to GSA's Federal Procurement Data System (without the need for re-keying)

5. Implementation

Strong leadership emphasis to move to paperless contracting and adopt EB and EC initiatives was the approach taken to successfully secure participation and agreement of stakeholders.

B.   Electronic Forms

1.   Use of electronic forms

The Department uses the following procurement and/or payment electronic forms:

- DD Form 1155 for acceptance
- SF 1449 for acceptance
- DD Form 250 for acceptance
- SF 1034 for Public Vouchers
- SF 26, SF 30, SF 33, SF 1449 for contract awards, amendments of solicitations, solicitations and Solicitation/Contract/Order for Commercial Items.
- All other procurement forms also available on the Washington Headquarters Services' system.

Most of the automated applications which use these forms are available to the entire Department, but only certain components are using all of the electronic forms listed.

The forms used for solicitation response can be completed on-line; however, they are not currently being approved on-line. The acceptance forms can be completed electronically; however, they cannot be approved or reviewed cross-functionally at this time. The proposed Wide Area Work Flow – Receipts & Acceptance (WAWF-RA) is being designed to perform many of these functions electronically for all users. A method of identifying and authenticating the approvers is required.

This is in a transitional phase. This capability is being incorporated in our automated systems via an Electronic Data Interchange (EDI) back end.

Jet Forms and UWI Forms (two proprietary Internet form technologies) are currently used to generate forms.

C.   Additional Efforts

In addition to the contract writing system, WAWF-RA is being deployed to all DoD Components. This web-based application facilitates electronic invoicing, receiving and accepting thereby enabling prompt payments to our vendors.

D.   Agency Overall Evaluation of Progress: Contract Writing Systems

1.   Overall progress toward achieving expectations in implementation plan

The Department is on track in all areas for this portion of the implementation plan.

2.   Barriers

The Department is addressing barriers in the following areas:

- Need for infrastructure (hardware, networks, automation support services)
- Lack of PKI
- Additional funding required to address these initiatives

3.   Significant modifications to implementation plan

The scope of paperless contracting initiatives has been expanded to cover all aspects of DoD contracting. The Paperless Contracting goal has been redefined from "paperfree" to 90 percent paperless by January 1, 2000, in six major contracting categories: requirements generation, solicitation, award/modification, receipts and acceptance, payment, and contract closeout.

VII.   Building Block: Federal System Interfaces

A.   Interface Efforts

The Department has a multi-faceted effort to unify and consolidate EC mechanism initiatives. For example, the DoD E-Mall provides a single point of entry for what were numerous DoD Component E-malls and E-catalogs. In the area of GPCs, the Department is the largest federal agency participant in the GSA SmartPay Program, which provides fleet, travel, and purchase card services used across the Department.

The Department has limited interfaces between the purchase card-issuing banks and its financial management systems. We recently developed standard purchase card EDI business rules for the Department and are in the process of implementing those rules. Although the card-issuing banks that submitted proposals on the GSA SmartPay solicitation in 1999 stated that they had EDI capability between their database and DoD financial management systems, that capability either was not valid or implementable. The banks actually have spent the last 12 months developing their web-based electronic access systems and ANSI X12 transaction sets.

1.   General Efforts

a.   DoD E-Mall

The DLA E-Mall has been expanded into a DoD E-Mall. It will be the single point of entry and search capability for all Internet-based DoD electronic catalogs. This will enable customers to buy both products and services The DoD E-Mall is being constructed with a commodities corridor, an information technology corridor, and a services/construction corridor. The DoD Components are fielding "stores" within these corridors. In addition to providing one-stop visibility for ordering from all DoD electronic catalogs, the E-Mall will provide one stop visibility of the status of orders.

The DoD E-Mall currently is on-line and can search across and order from the following sources: DLA Inventory Control Point managed commodity items and Defense Reutilization and Marketing Office reutilization items; Defense Supply Center Philadelphia's ASCOT electronic catalog for clothing and textile items; DLA's E-CAT electronic catalog of commercial part numbered items; Navy's ITEC Direct electronic catalog of IT hardware and software items, and Inventory Control Point (ICP) long-term contracts for photographic and lighting supplies, food services, and other mechanical items. The E-Mall empowers the customer to search, locate, compare, and order material based upon quality, price, and availability.

The E-Mall provides the benefits of reduced logistics response time and improved visibility of both government and commercial sources of supply, as well as facilitating the use of the GPC.

Additional effort is planned to add visibility of other existing DoD electronic catalogs such as the Army's A-Mart and the Tank-automotive and Armaments Command's (TACOM) Tire Store; expand the DoD Component "stores" within the three corridors, and add additional items within the existing "stores."

Payment for purchases from the DoD E-mall and associated accounting is through GPC use.

        b.   Government Purchase Cards

GPCs offer a less costly and more efficient way for DoD organizations to buy goods and services directly from vendors instead of processing requests through government procurement offices. Accomplishments during FY 1999 include:

- Card usage grew 28 percent this fiscal year (through May 1999).
- The DoD Components made 5.9 million card purchases at over $2.9 billion. Through May 1999these numbers were 4.6 million and $1.9 billion respectively.
- Cumulative purchase card performance continues to be above the FY 2000 goal of 90 percent of micropurchases made with the card. DoD contract actions with the card are at 94 percent. Training actions equate to 49 percent. This is an improvement over last year's 13 percent and the monthly percentages of training actions on the card continue to improve. Due to the small number of these actions, they have little effect on the Department's overall performance rate.
- The Department reduced delinquencies to US Bank by over 85 percent since April 30th.
- The Department earned over $12 million (after GSA fees) in refunds from the card-issuing banks for the period of December 1, 1998 through June 30, 1999. This is approximately 21 times higher than we experienced under the former contract. The Navy's refund from Citibank has been deferred until later this year to provide Citibank an opportunity to properly allocate refunds among the appropriate Billing Officials.
- Significant internal savings in the Department's accounting and payment processes will not be realized until EDI between the card issuing banks and DFAS is fully implemented. Although some limited progress has been made with Citibank, full implementation is not expected until mid 2000.

Operation Mongoose, the DFAS payment fraud detection initiative, now includes purchase card transactions. The Purchase Card Program Management Office continues to work with the Mongoose staff in developing analytical tools to assist in detecting fraud, waste and abuse within the program. The majority of questionable transactions mainly have been due to merchants selecting inaccurate merchant category codes during the VISA/ MasterCard application process (e.g., computer store identified as dating service).The Department is working to establish uniform and complementary processes to support the front end processes of card account set-up and maintenance, card utilization and personalization, card manufacture and issuance, and cardholder services, as well as the back-end processes of transaction processing and reporting, accounting, reconciliation, and billing. From a purchasing and payment point of view, through a consolidated approach to these card service programs, the Department expects to:

- Gain efficiencies in contractor services and prices;
- Leverage the cost of investment for new systems and technology;
- Coordinate and improve service delivery;
- Consolidate overhead and other support functions for these card service functions;
- Consolidate reporting data and systems for improved financial management;
- Reduce information and processing redundancy;
- Provide greater convenience and flexibility to cardholders; and

- Reduce the proliferation of single-purpose card systems across the government.

    c.   Smart Cards

Over the past three years the Department has conducted a number of Smart Card Initiatives. The results of those initiatives are tabulated below.

	Application	Potential Benefits
Tactical	Warrior Readiness	• Reduced Assessment Time. • Less time to determine individual unit "deployability" status; results in faster unit deployments.
	Manifesting	• Reduced manifest time. • Eliminated data entry errors. • Increased accuracy of personnel tracking through the process.
Non-Tactical	Access Control	• Positive accounting of personnel. • Controlled access to sensitive spaces.
	Medical	• Reduced data entry/paper handling. • Reduced time to create medical records, medical force structure savings and change in health care practices for warfighters. • Increased accuracy of information.
	Dental	• Reduced data entry. • Technicians available to provide treatment vs. data entry/paper handling.
	Food Service	• Reduced cash holdings and daily audits. • Simplified and increased accuracy of headcount. • Reduced the number and complexity of forms for cash collection. • Complete and accessible audit trails.
	Personnel Transactions	• Reduced processing time. • Eliminated data entry errors. • Capability to rapidly produce automated Soldier Readiness Processing. Reports by unit commander.
	Stored Value	• Reduced cash handling and audits. • Reduced potential for crime.
	Rifle Range	• Reduced workload required to complete and document qualifications.
	Equipment Issuance	• Positive record of equipment issuance. • Prioritized preventive maintenance; reduced loss potential.

The above results are from initiatives sponsored by many levels with the Department and represent a sampling of the opportunities for benefits that smart cards offer. We are rapidly progressing with several initiatives, including one to institute a smart chip Common Access Card (CAC) that will serve as the common military and DoD civilian identification, building access, and network access card. The Deputy Secretary of Defense mandated implementation of the Common Access Card in a memorandum dated November 10, 1999 (http://www.c3i.osd.mil/org/cio/index.html).

    d.   Defense Finance and Accounting Service

The DFAS sends and receives electronic data files through electronic interfaces that exists between contracting, logistics, travel, grants, garnishments, purchase cards vendors, and other DoD contractors. The DFAS utilizes the existing DoD infrastructure DEBX (that is, the Department electronic commerce processing node) to accommodate the interfaces.

       e.   DoD Business Opportunities (BusOpps) Model and Electronic Posting System (EPS)

It has long been the perception that doing business with the DoD was a hard, slow, and often confusing process. However, with the active utilization of web technologies and electronic commerce, doing business with the DoD can be easier than it has ever been before. In alignment with the FY 1998 National Defense Authorization Act and the Defense Reform Initiatives, the mission of the DoD Business Opportunities website is to provide a single point of entry for users to identify and locate business opportunities and information resources within the DoD. Users will be successful in searching for and locating desired solicitations and will then be directed to access the appropriate DoD sites to register with the Central Contractor Registration (CCR), download solicitation and technical data, and make offers on the specific solicitations. DoDBusOpps.com assists its visitors in navigating the solicitation and bidding process from start to finish.

For the visitors, it means an increase in the visibility of opportunities, the dissemination of useful information for bid/no bid decisions and a significant reduction in response times. For the DoD, it means an increased customer base, cutting down on procurement lead times significantly, reducing the operating costs of releasing solicitations, increasing the visibility of web sites, maintaining flexibility at the local level, interfacing DoD with the Federal EC Electronic Posting System (EPS) (http://www.eps.gov/), and increasing electronic commerce and paperless operations.

The concept of the EPS model is specifically identified in the President's Management Council's *"Strategic Plan for Electronic Federal Purchasing and Payment - March 1998"* that was published in response to Section 850 of the FY-98 DoD Authorization Act. The EPS model is introduced as "an effort to distribute acquisition-related information to industry more quickly and cheaply" than existing systems. The Department has participated in development of a government-wide EPS that delivers a proven module of the Contract Formation/Administration "Building Block" introduced in the federal *Strategic Plan*.

What makes the Government-wide EPS project so compelling is the positive effect it will have on a significant portion of federal business opportunities, since virtually all agencies are required to advertise procurements greater than $25,000 in value. By finally bringing these opportunities to the "single entry point" model, our federal trading partners will have wider and easier access to the more complete information they need to make better and more qualified responses. With complete information available immediately, trading partners can promptly decide if the business opportunity is right for them -- no longer waiting for mailed copies of solicitation documents to arrive before they can proceed. This increased and improved access will lead to better competition and higher quality supplies and services delivered at lower costs. With continued development of these tools, both agencies and trading partners come out ahead.

Finally, the EPS is a <u>government-wide</u> tool. It is being developed for any agency, including the DoD, to use in supporting the federal single entry point strategy.

2.   Future efforts

The Department intends to improve its systems interface in during FY 2000 by:

- Expanding Web-based technologies into additional business areas
- Upgrading EDI transaction sets to the current version of ANSI thus, providing additional data elements and functionality.

Additionally, through a transition towards standard, agency-wide systems for purchasing and paying, the Department plans to minimize the number of systems interfaces required to conduct EC. The Department will be implementing the end-to-end, web-based accounts setup, billing and payment process during fiscal year 2000. This process will link the bank transactional database to the Department's accounting and payment systems. The Department has no plans, nor any need, to link micro-purchases made with the card to any logistics or contract writing systems.

The Deputy Secretary of Defense chartered the Paperless Contracting Working-level Integrated Process Team (PC WIPT) in the Fall of 1997 to develop performance measurements, strategic business plans, and prototype electronic commerce business applications for DoD. The PC WIPT also acts as the implementation oversight body for the Department's Paperless Contracting goal of making 90 percent of the contracting process paper-free by January 1, 2000.

A specific tasking given to the PC-WIPT was to develop an "as-is" contracting business process model. That review recommended that DoD follow a disciplined approach for; first, defining its "as-is" contracting process; second, using those results to help define its true business needs, and then; third, designing an improved "to-be" process model before implementing any technical solutions. The PC WIPT's As-Is Contracting Process Model details the existing contracting business process roles and responsibilities, points of integration between these roles (i.e., data hand-offs and process dependencies), and all the associated business rules. Other participants in the model's development included representatives from each of the Military Services, the Deputy Under Secretary of Defense for Logistics (DUSD(L)), the DLA, the DISA, the Defense Contract Audit Agency (DCAA), DFAS, and the Defense Contract Management Command (DCMC).

The As-Is Contracting Process Model identified many areas of the current DoD contracting business process that rely heavily on paper-based processes. The Department needed an overall business strategy to automate those paper-based processes and move toward the future shared data environment envisioned for Paperless Contracting. To achieve that end, the Deputy Secretary of Defense issued Defense Reform Initiative Directive (DRID) #47, "End-to-End Procurement Process." DRID #47 established a DoD wide Working Integrated Process Team (WIPT), jointly chaired by the Commander, DCMC, and the Director, DFAS, to develop and document the future End-to-End Procurement Process. This WIPT used the "As-Is" contracting business process model, as well as the results from the teams formed in response to DRID #32, "Paperless Contracting Closeout" and DRID #33, "Paperless DD Form 250, Material Inspection and Receiving Report," to build a To-Be End-to-End Procurement Process Model.

The To-Be End-to-End Procurement Process Model encompasses six major business process phases: requirements determination, solicitation, contract award/modification, material receipt, contractor payment, and contract closeout. It details functional responsibilities within the procurement process for project management, logistics, finance and accounting, payment, contracting, contract administration, and auditing. The "To-Be" Model also includes an end-to-end process flow model and a series of end-to-end systems maps representing DoD procurement in the future shared data environment (FY 01-03). The model also depicts how information will flow between users, systems, and databases in the future shared data environment, and addresses process dependencies, user needs for information, and responsibilities for providing information.

B.   Agency Overall Evaluation of Progress: Federal Systems Interfaces

The Department remains on track in its progress toward achieving expectations in implementing plans under this building block. As a very large agency, DoD's greatest challenge is internal coordination among the many Components, some of which are as large as other federal agencies. Nevertheless, the Department continues to make great strides in this area, coordinating with the GSA and other federal agencies to ensure that the supporting DoD programs are congruent with the comparable federal plans. We are experiencing no significant barriers nor obstacles in achieving DoD's goals at the federal level. It has not been necessary to make any radical departures from last year's implementation plan under this building block. As noted in section A of this building block, new goals have been added, such as the common access card initiative, as our program matures. These requirements had to be placed in the contracts with the card-issuing banks and scheduled for implementation during calendar year 2000. The changes delayed full implementation to the end of CY 2000.

VIII. DoD Points of Contact

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